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CONFIDENTIAL

DEPARTMENT OF STATE

Memorandum of Conversation

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DATE: June 2, 1961

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14 MAY 1982

SUBJECT: Negotiations of the Volta River Project

PARTICIPANTS: Assistant Secretary for Economic Affairs - Edwin M. Martin
Deputy Assistant Secretary for Economic Affairs - Peyton Kerr
Eugene Padberg - AF
Darwin Swett - ED

Members of the Ghana Negotiating Team:
Major R. N. M. Milton
Mr. L. Rousse-Jones
Mr. Charles Spofford
Mr. Dean Leonard
Mr. H. F. Winful
Mr. E. R. Hayford
Mr. E. E. K. Akuoko

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Mr. Spofford speaking for the Ghana delegation expressed their pleasure at being able to meet with Mr. Martin. Mr. Martin welcomed the group and said he understood that there were a number of problems to be worked out and that he imagined it would be a few weeks before negotiations would be completed. Mr. Winful stated that the IBRD now has Ghana's documents and that the Bank would be ready to take them before its board within a week. He anticipates a week or two for consideration by the board, but expressed the hope that negotiations could be completed before the end of the month. His instructions ask that he meet a deadline of June 30.

"As you know," he stated, "the first of July is Republic Day in Ghana and we would want to make a big splash of our relationship with the West at that time."

Mr. Martin asked if the IBRD has a set of documents that has been agreed upon and Mr. Winful replied that he had cabled Accra for final form of the agreement and other information.

Major Milton stated that the team is interested in concluding the various agreements concurrently

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agreements concurrently rather than sequentially. He added that negotiations with Eximbank were going smoothly and that no undue difficulty had been encountered.

Mr. Spofford summarized the three major remaining problems as follows:

1. The VALCO financing arrangements.
2. The problem of VALCO over-run.
3. The problem of the VALCO guaranties.

Mr. Martin stated that with respect to the first problem, that VALCO financing affects the relationship between VALCO and the Volta River Authority. With respect to the second problem, he said no agreement had been reached as yet and that he was not optimistic regarding any of three solutions to the problem which he had heard. With respect to VALCO guaranties, he said there were no major problems. Mr. Spofford mentioned an additional problem was the alternative to the tax sparing clause in the treaty. He said that Mr. Cutler, Attorney for Kaiser Aluminum Company told him that the Treasury Department would be forthcoming with a decision in three weeks to thirty days. Mr. Martin said that if the Treasury had not made a decision by the end of next week that perhaps he might be able to expedite the matter, but that this was not a problem for the Ghanaians until we know whether the Treasury Department and VALCO can agree.

Mr. Kerr asked if there were some aspects of the team's negotiations where it would be more profitable to have joint meetings including the lending agencies and suggested that the Ghanaians might bring this up. Mr. Martin added that should they encounter any difficulty in arranging meetings with Eximbank and DLF he would be glad to render assistance. He added that VALCO has some problems relating to their trustee account, but he is hopeful that these can be worked out.

With regard to the question of the transmission line, Major Milton stated that if this part of the project would be troublesome to negotiate now, it could be taken up at a later date, provided a side letter of intent were agreed upon. The present negotiations with the DLF are centered on a figure of $20 million.

Mr. Martin asked whether or not Ghana's commitments to its Economic Development Program could be worked out in such a manner so that its contributions to the Volta River Authority could be made. Major Milton replied that he had cabled Accra for clarification of this matter and that there would seem to be some differences between the targets of the program and what could be achieved. Mr. Spofford said that the team had assumed in its previous discussions with IBRD that IBRD would be the Chairman of the consortium of lenders. This has not worked out. Ghana is now willing to work independently with all lenders using cross documentation and no problems in this respect are anticipated. Eximbank and DLF are both agreeable to the present arrangement.

With regard to the selection of a manager for the Volta River Authority, Mr. Spofford mentioned that when the team left Ghana, three nominees were being considered and that a decision was pending.

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